

Message Text

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PAGE 01 CAIRO 03466 281814Z
ACTION NEA-10

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E.O. 11652: NA
TAGS: USEGJC, EINV, EG
SUBJ: MCEVOY EGYPTIAN EQUIPMENT COMPANY

REF: 76 CAIRO 14657

1. SUMMARY: MCEVOY EGYPTIAN EQUIPMENT CO. PARTIALLY OWNED BY ROCKWELL CORP., APPEARS BE IN PROCESS OF RESOLVING SOME OF OPERATIONAL PROBLEMS WHICH HAVE PLAGUED IT IN PAST. FIRM IS SIGNIFICANT AS ONLY LAW 43 INDUSTRIAL ENTERPRISE WITH AMERICAN PARTICIPATION, WHICH IS ACTUALLY IN PRODUCTION.
END SUMMARY

2. IN RECENT CONVERSATION, PERICLES ARGYRIS, WHO REPRESENTS ROCKWELL INTEREST IN MCEVOY EGYPTIAN EQUIPMENT COR. (MEEC), INDICATED FIRM HAD MADE SOME PROGRESS IN SOLVING OPERATIONAL --LARGELY PERSONNEL--PROBLEMS WHICH HAD PLAGUED IT IN PAST. MEEC IS JOINT VENTURE IN WHICH THE MAJOR PARTNERS ARE MCEVOY OIL FIELD EQUIPMENT CO. (IN WHICH MAJORITY OWNERSHIP IS HELD BY U.S.-BASED ROCKWELL CORP.) AND A GROUP OF GOE-CONTROLLED MILITARY FACTORIES. MEEC IS SIGNIFICANT AS THE ONLY INDUSTRIAL ENTERPRISE WITH SUBSTANTIAL AMERICAN PARTICIPATION WHICH, AFTER BEING ESTABLISHED UNDER LAW 43, HAS ACTUALLY GONE INTO PRODUCTION. COMPANY'S PRODUCT IS OIL WELL-HEADS ("CHRISTMAS TREES").

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3. IN FALL OF LAST YEAR, ARGYRIS HAD REPORTED TO EMBASSY (REFTEL) THAT MEEC WAS ENCOUNTERING SEVERE OPERATIONAL PROBLEMS AND WAS ALMOST LUDICROUSLY FAR BEHIND IN MEETING PLANNED PRODUCTION SCHEDULES. A MAJOR DIFFICULTY WAS WITH PERSONNEL. WORKERS WERE ACCUSTOMED TO EASY-GOING PACE OF GOE STATE ENTERPRISE AND FOUND IT DIFFICULT MEET EXPECTATIONS OF US PRIVATE

PARTNER. FURTHER COMPLICATION WAS THAT ALTHOUGH MAJORITY OWNERSHIP IN MEEC WAS IN NON-EGYPTIAN HANDS, IT HAD BEEN AGREED THAT GENERAL MANAGER WOULD BE EGYPTIAN. ALL PERSONNEL, MOREOVER, HAD BEEN "BARROWED" BY MEEC FROM STAFF OF GOE MILITARY FACTORY PARTNER--AN ARRANGEMENT DESIGNED INITIALLY TO SAVE TIME IN GETTING THE NEW VENTURE STARTED. THESE EMPLOYEES TENDED RETAIN OLD LOYALTIES AS WELL AS OLD WAYS OF DOING THINGS.

4. AT END OF LAST YEAR, HOWEVER, COMPANY HAD SUCCEEDED IN REPLACING VIRTUALLY ALL OF BORROWED STAFF. NEW EMPLOYEES WERE RECRUITED DIRECTLY BY MEEC AND HAD TO MEET ITS STANDARDS. FORMER MANAGER WAS RETAINED, BUT HAD TO SEVER TIES WITH MILITARY INDUSTRIAL ORGANIZATION AND DEVOTE HIMSELF FULLY TO INTERESTS OF NEW JOINT VENTURE. IN ADDITION, LARGE NUMBER OF TDY STAFFERS HAD BEEN BROUGHT IN FROM ENGLAND TO WORK ON IMPROVEMENT OF EVERY PHASE OF OPERATION.

5. RESULT OF ALL THIS WAS GREATLY INCREASED PRODUCTIVITY AND EFFICIENCY. INDEED, PRODUCTIVITY HAD IMPROVED SO MUCH THAT FIRM WAS NOW CONCERNED ABOUT MARKETING PROBLEMS. WHILE SOME BUREAUCRATIC DIFFICULTIES REMAINED, ARGYRIS, IN CONTRAST TO MOOD DISPLAYED LAST FALL, WAS VERY OPTIMISTIC ABOUT COMPANY'S FUTURE.

6. COMMENT. BECAUSE OF ITS UNIQUE STATUS AS THE ONLY LAW 43 INDUSTRIAL COMPANY WITH AMERICAN INVOLVEMENT THAT IS ACTUALLY IN PRODUCTION, MEEC'S FORTUNES ARE OF SOME INTEREST. OPERATIONAL PROBLEMS IT HAD ENCOUNTERED--THOUGH SOME LIMITED OFFICIAL USE

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WERE OF SPECIALIZED NATURE-- WERE NOT A HAPPY AUGURY FOR PROSPECTIVE INVESTORS. FIRM'S REPORTED SUCCESS IN RESOLVING AT LEAST THE MOST SERIOUS OF ITS DIFFICULTIES MAY PROVE ENCOURAGING FOR THOSE COMPANIES WILLING TO CONTINUE TRYING TO SURMOUNT THE STILL FORMIDABLE OBSTACLES TO FOREIGN PRIVATE INVESTMENT IN EGYPT.
EILTS

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Message Attributes

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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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